

The Director of Central Intelligence

Washington, D. C. 20505

7 December 1984

The Honorable William J. Middendorf II  
United States Representative to the  
Organization of American States  
Department of State  
Room 6494  
Washington, D. C. 20520

Dear Bill,

I want to thank you for sending me that splendid speech of yours to the OAS on the need for Reaganomics in the Third World. It was a masterful piece of work.

I send to you a working paper I had prepared to generate ideas on what can be done on what I believe to be a historic opportunity to bring progress to lesser developed countries (LDCs) around the world, help solve our own economic problems and demonstrate that Western capital, technology and managerial skills can accomplish what Soviet military and economic assistance and statist approaches have failed to deliver.

LDCs around the world are shifting to more pragmatic approaches to solving their problems. They recognize that their highly centralized development policies have been a major cause of economic stagnation. They know that the Soviet economic system did not live up to expectations, and Communist countries supplied only meager amounts of economic aid and were unable to provide significant markets for LDC goods. They see that the newly industrialized countries (NICs) of the Far East have attained economic progress and succeeded in coping effectively with the oil price hikes, recessions, high interest rates and heavy debt which have so adversely affected the LDCs. They know that prospects for large amounts of Western foreign assistance have diminished. The fact that the NICs have succeeded without Western aid, together with LDC need for infusions of capital, technology and skills available from the West, creates a historic opportunity for us.

It is the lesser developed countries that can least afford the burden of inefficient government bureaucracies and ponderous state enterprises. In many of these countries a response is beginning to take shape. In some cases, large "second economies" consisting of small-scale enterprises are emerging. LDC governments are increasingly willing to contemplate and experiment with market-oriented approaches.

This changing climate presents significant economic opportunities for the United States:

- To increase the promotion of small-scale enterprises within LDCs and the acceptance and adaptation of new technologies.

- To enlarge the flow of foreign direct investment, and to help state enterprises become more efficient and find ways to relinquish some functions to the private sector.
- To strengthen its trade, finance and investment links with LDCs based upon a growing mutuality of economic interest.

The shift to more domestically-oriented development also will likely limit North-South trade frictions and help quiet protectionist sentiment in the developed world. Those additional LDCs that do become major exporters of manufactures (including China) will be mainly selling less sophisticated products and, as such, they will be taking away developed country markets from the current NICs.

In order to make the most of this increasingly important evolutionary and grass roots development process, we need to reorder economic aid programs so that more assistance reaches the small-scale entrepreneur.

The forces at play here have security implications as well. They can strengthen the West's position relative to that of the Soviet Union in LDCs. Soviet domestic economic and foreign financial constraints over the next ten years will make Moscow even less able to compete in nonmilitary sectors. At the same time, US security interests will often coincide with opportunities for economic support, and security assistance can reinforce the willingness and ability of an LDC to bring in and develop capital, technology and needed skills.

I would like your reactions and suggestions on how this paper might be improved and how we might proceed to reorder our policies and instrumentalities to realize this opportunity.

Yours,

William J. Casey

Attachment:

Paper entitled "Economic Forces for Change  
in the Third World," dtd 15 November 1984

The Director of Central Intelligence

Washington, D.C. 20505

7 December 1984

The Honorable Alan Greenspan  
120 Wall Street  
New York, New York 10005

Dear Alan,

I owe you an explanation of the nature and purpose of the paper I asked you to read and sent to you yesterday. I had it prepared here in order to generate ideas on realizing what I believe to be a historic opportunity to bring progress to lesser developed countries (LDCs) around the world, help solve our own economic problems and demonstrate that Western capital, technology and managerial skills can accomplish what Soviet military and economic assistance and statist approaches have failed to deliver.

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Washington, D.C. 20505

7 December 1984

The Honorable Leo Cherne  
Research Institute of America  
589 Fifth Avenue  
New York, New York 10017

Dear Leo,

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Mrs. Neal Peden  
Bureau for Private Enterprise  
Agency for International Development  
320 - 21st Street, N. W.  
Washington, D. C. 20523

Dear Neal,

It was good to see you at Roy Pfautch's Christmas party the other evening and to learn that you are undertaking what should be a very interesting and indeed critical job at AID. For you to understand why I think it is so important, I am sending you a paper I had prepared to generate ideas on what can be done on what I believe to be a historic opportunity to bring progress to lesser developed countries (LDCs) around the world, help solve our own economic problems and demonstrate that Western capital, technology and managerial skills can accomplish what Soviet military and economic assistance and statist approaches have failed to deliver.

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